

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

In the matter of:

AZ REI School, LLC, an Arizona entity

SFG Real Estate Holdings, LLC, an Arizona
entity

Jeffrey Robert Simbric, a single man

Respondents.

DOCKET NO. S-21133A-20-0382

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO CEASE
AND DESIST, ORDER FOR RESTITUTION,
ORDER FOR ADMINISTRATIVE
PENALTIES, AND ORDER FOR OTHER
AFFIRMATIVE ACTION**

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Jeffrey Robert Simbric and AZ REI School, LLC have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division also alleges that SFG Real Estate Holdings, LLC is an entity controlling AZ REI School, LLC within the meaning of A.R.S. § 44-1999(B), so that SFG Real Estate Holdings, LLC is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as AZ REI School, LLC for its violations of the antifraud provisions of the Securities Act.

The Division also alleges that Jeffrey Robert Simbric is a person controlling SFG Real Estate Holdings, LLC within the meaning of A.R.S. § 44-1999(B), so that Jeffrey Robert Simbric is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as SFG Real Estate Holdings, LLC for its violations of the antifraud provisions of the Securities Act.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. AZ REI School, LLC ("AZ REI") is an Arizona Limited Liability Company filed on January 6, 2018, with SFG Real Estate Holdings, LLC as its sole managing member and statutory agent. Jeffrey Robert Simbric signed and filed the Articles of Organization.¹

3. Jeffrey Robert Simbric ("Simbric"), an Arizona resident, is the sole managing member and statutory agent of SFG Real Estate Holdings, LLC ("SFG"), an Arizona Limited Liability Company formed on January 26, 2016.

4. Simbric, AZ REI, and SFG may be collectively referred to as "Respondents."

5. At all relevant times, from approximately January 6, 2018 to present, Respondents Simbric, AZ REI and SFG conducted business from an address located in Arizona and operated its business using bank accounts established in Arizona. At all relevant times, Respondents Simbric and AZ REI were not registered by the Commission as dealers or salesmen.

III.

FACTS

6. In April 2019, the investor, who is over 65 years of age, was driving through a neighborhood in Scottsdale, Arizona and noticed a walk-in bathtub in a carport. There was no preexisting relationship between the investor and Simbric.

¹ Simbric filed an Amendment to the Articles of Organization on August 30, 2019 which changed the managing member and statutory agent to Five JS V, LLC, which is an Arizona entity for which Simbric is the sole managing member and statutory agent.

1 7. The investor stopped at the home and asked if the bathtub was for sale and Simbric
2 said it was. Simbric agreed to sell the walk-in bathtub to the investor and installed the bathtub in the
3 investor's home.

4 8. Simbric asked the investor if he was interested in "flipping houses" or knew anyone
5 who was interested in such an investment. The investor said he did not know anything about flipping
6 houses other than what he had seen on television.

7 9. Simbric told the investor that real estate was almost guaranteed to increase in value
8 over the next 18 months. Simbric told the investor he had spent \$85,000 in educating himself about
9 real estate market investments.

10 10. Simbric indicated he had a company called AZ REI. Simbric said he taught others
11 how to make money investing in real estate.

12 11. Simbric provided several printouts of Redfin properties to the investor and indicated
13 he was going to purchase a home on Alabama Avenue in Sun City, Arizona ("Alabama").

14 12. Simbric asked the investor if he would invest \$2,000 to cover the cost of the earnest
15 money for the purchase of the Alabama property.

16 13. After listening to Simbric's investment opportunity, the investor became interested in
17 investing with Simbric and agreed to provide the requested funds.

18 14. On May 9, 2019, the investor gave Simbric a check for \$2,000 made out to "Jeff
19 Simbric" for an investment in the Alabama property.

20 15. On May 15, 2019, Simbric provided a promissory note to the investor listing the
21 borrowing entity as AZ REI and indicating the investor was a "gap partner."

22 16. The terms of the promissory note states the investor "will receive the principle amount
23 of \$33,000, plus 18%, or equivalent of \$1000/month for the first 6 months, with 1, 2-month
24 extension, totally [*sic*] \$39,000 at the end of 6 months(12/15/2019) [*sic*], or \$42,000 at the end of 8
25 months (2/15/2020)."

1 17. Simbric subsequently advised the investor that he was unable to complete the
2 purchase of the property, had lost the earnest money, and would be unable to repay the investor.

3 18. Simbric provided another Redfin printout regarding a property on Jezebel Avenue in
4 Sun City, Arizona ("Jezebel") and asked the investor to once again invest with him related to the
5 Jezebel property. Simbric indicated that he had other investors but did not tell the investor who the
6 other investors were.

7 19. On May 16, 2019, the investor provided a check for \$1,500 made payable to "Jeff
8 Simbric." Simbric asked for further funds and on May 24, 2019, the investor provided \$10,200
9 payable to AZ REI. On June 25, 2019, the investor provided a check for \$671 to AZ REI.

10 20. On June 25, 2019, Simbric drafted another promissory note listing the investor as the
11 gap partner and stating the investor, "will receive the principal amount of \$13,000, plus 18% or
12 equivalent of \$1000/month for the first 6 months, totally [*sic*] \$19,000 at the end of 6 months
13 (12/19/2019)."

14 21. Simbric provided a fraudulent document purporting to be from Magnus Title Agency
15 ("Magnus") which indicated that Creative Capital Finance, LLC ("CCF") was the lender for the
16 purchase of the Jezebel property.

17 22. The document stated that the buyer was "AZ REI Estate School, LLC DBA SFG Real
18 Estate and Design Service" and the seller was Sound Capital, LLC.

19 23. The document included an escrow number and a closing date for the Jezebel property.

20 24. Both Magnus and CCF deny they were a party to any purported purchase of the
21 Jezebel property.

22 25. Simbric told the investor he had purchased the Jezebel property and that a lien had
23 been placed on the property to ensure that the investor was paid for his investment and wrote the lien
24 information on the fraudulent title documents.

25 26. Simbric did not provide any disclosure documents.
26

1 27. Simbric did not ask the investor about his finances, whether the investor had prior
2 investment experience, or whether the investor was an accredited investor. The investor is not an
3 accredited investor.

4 28. Simbric ceased all communications with the investor in July 2019.

5 29. Simbric was previously a registered securities salesman (CRD. No. 4859279) until he
6 was barred by FINRA on April 23, 2012 related to deceptive practices in Disciplinary Proceeding
7 No. 2011026168901 (the "Proceeding").

8 30. As stated in the Decision for the Proceeding, while a registered salesman, Simbric
9 sold three fixed annuity contracts to a married couple (the "couple") and provided a prospectus
10 indicating that the issuer would give the couple a 10% bonus on the initial premiums they paid for
11 the fixed annuity contracts. The confirmation letter reflected only an 8% bonus and they asked
12 Simbric to speak to the company about the promised 10% bonus. The company refused to provide
13 the 10% bonus. Simbric provided false documents to the couple representing that the couple was
14 receiving the 10% bonus, when, in fact, they were not. When Simbric's employer's chief compliance
15 officer wrote to Simbric asking about the letters, he denied knowing who sent the letter to the couple.

16 31. Simbric did not advise the investor that he been barred by FINRA on April 23, 2012
17 related to deceptive practices related to investments.

18 32. On May 21, 2013, Simbric was indicted in Case Number V-1300-CR-201380211,
19 State Of Arizona VS. Jeffrey Simbric for Fraudulent Schemes and Artifices, Theft, seven counts of
20 Forgery, seven counts of Criminal Impersonation, and four counts of Taking the Identity of Another
21 Person or Entity.

22 33. Pursuant to a plea agreement, Simbric pleaded guilty to Theft by Means of a Material
23 Misrepresentation or Converts Said Property for an Unauthorized Term or Use and three counts of
24 Criminal Impersonation related to Simbric pretending to be a licensed contractor when he was not a
25 licensed contractor. Each of these offenses are a Class 6 felony.

1 34. At least one of the victims paid \$6,000 to Simbric to perform a roofing job and
2 Simbric left to another state, leaving the victim with neither the roofing work nor her money.

3 35. On June 16, 2014, Simbric was sentenced to 120 days in the Yavapai County Jail,
4 three years on standard supervised probation and ordered to pay restitution, fees and fines.

5 36. Simbric did not advise the investor of his guilty plea and sentence.

6 37. On May 5, 2016, Toyota Motors sued Simbric in Case Number J-1302-CV-20154871,
7 Toyota Motors v. Jeffrey R. Simbric. On June 17, 2016, the Court entered default judgment against
8 Simbric and ordered him to pay \$10,087.82 to Toyota Motors.

9 38. Simbric did not advise the investor of the lawsuit or its outcome.

10 39. Bank records indicate that the investor's funds were deposited into accounts
11 controlled by Simbric and comingled with other deposits for a combined total of \$19,918.21 for the
12 time period of May 1, 2019 to June 28, 2019. The investor's funds accounted for over 72% of the
13 comingled funds. As of June 28, 2019, the remaining funds in the account totaled \$213.57.

14 40. During this time, over 16% of the comingled funds were taken out in cash
15 withdrawals, over 12% went for purchases at department and hardware stores, over 10% went for
16 entertainment, and 8% went for or travel.

17 41. The investor provided \$14,371 to Simbric as an investment and received nothing.

18 42. Simbric did not advise the investor that at least a portion of his funds would be used
19 for anything other than the investments in the properties.

20 43. Respondents Simbric and AZREI were not registered as dealers or salesmen and the
21 notes and/or investment contracts were not registered.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

44. From on or about May 9, 2019 through at least June 25, 2019, Respondents Simbric and AZ REI offered or sold securities in the form of a note and/or an investment contract, within or from Arizona.

45. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

46. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

47. Respondents Simbric and AZ REI offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

48. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

49. In connection with the offer or sale of securities within or from Arizona, Respondents Simbric and AZ REI directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents Simbric and AZ REI's conduct includes, but is not limited to, the following:

1 a. Failing to disclose that Simbric was barred by FINRA related to deceiving his clients
2 via false documents he created reflecting the couple was receiving a 10% bonus when the couple was
3 receiving an 8% bonus;

4 b. Failing to disclose that Simbric was a convicted felon for theft and criminal
5 impersonation and was sentenced to 120 days in jail;

6 c. Failing to disclose that, on May 5, 2016, Toyota Motors sued Simbric in Case
7 Number J-1302-CV-20154871, Toyota Motors v. Jeffrey R. Simbric and on June 17, 2016, the Court
8 entered a default judgment against Simbric and ordered him to pay \$10,087.82 to the plaintiff;

9 d. Failing to disclose to the investor the financial history of AZREI and any risks
10 involved with the investment;

11 e. Failing to disclose that at least a portion of the investor's funds would be used for
12 purchases other than those related to the investments in the properties; and

13 f. Engaging in practices that would operate a fraud or deceit by misrepresenting that:

14 1. Simbric had purchased the Jezebel property;

15 2. Simbric had placed a lien securing the investment when in fact there was
16 no lien;

17 3. Magnus Title Agency or its employees were parties to the "Combined
18 Settlement Statement" dated July 2, 2019, when neither Magnus Title
19 Agency nor its employees were involved in the purported transaction; and

20 4. CCF or its employees were lenders for a transaction involving the Jezebel
21 property in the "Combined Settlement Statement" dated July 2, 2019,
22 when neither CCF nor its employees were involved in the purported
23 transaction.

50. This conduct violates A.R.S. § 44-1991.

VII.

CONTROL PERSON LIABILITY PURSUANT TO A.R.S. §44-1999

51. From at least January 6, 2018 through August 31, 2019, SFG Real Estate Holdings, LLC has been and/or held itself out as AZ REI School, LLC.

52. From at least January 6, 2018 through present, SFG Real Estate Holdings, LLC directly or indirectly controlled AZ REI School, LLC within the meaning of A.R.S. § 44-1999. Therefore, SFG Real Estate Holdings, LLC is jointly and severally liable to the same extent as AZ REI School, LLC for its violations of A.R.S. § 44-1991 from at least January 6, 2018 through at least August 31, 2019.

53. From at least January 26, 2016 through present, Simbric has been and/or held himself out as SFG Real Estate Holdings, LLC.

54. From at least January 26, 2016 through present, Simbric directly or indirectly controlled SFG Real Estate Holdings, LLC within the meaning of A.R.S. § 44-1999. Therefore, Simbric is jointly and severally liable to the same extent as SFG Real Estate Holdings, LLC for its violations of A.R.S. § 44-1991 from at least January 26, 2016 through present.

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that Respondents be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action; and

5. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.

If a Respondent requests a hearing, the requesting respondent must also answer this Notice. A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet website at <http://www.azcc.gov/hearing>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck, ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at <http://www.azcc.gov/securities/enforcement/procedure>.

X.**ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if Respondent requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/hearing>.

Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Wendy Coy.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 28th day of December, 2020.

/s/

Wendy Coy
Assistant Director of Securities